

**PUBLIC DISCLOSURE**

**March 21, 2011**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**PATRIOT COMMUNITY BANK  
58133**

**237 LEXINGTON STREET  
WOBURN, MASSACHUSETTS 01852**

**Division of Banks  
1000 Washington Street  
Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation  
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New York, New York 10118**

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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## TABLE OF CONTENTS

I.	General Information .....	1
II.	Institution Rating	
a.	Overall Rating .....	1
b.	Scope of Examination .....	2
c.	Description of Institution .....	3
d.	Description of Assessment Area .....	4
e.	Performance Criteria .....	7
III.	Appendix	
a.	Fair Lending .....	A-1
b.	Definitions .....	A-2

## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Patriot Community Bank (or the "Bank")**, prepared by the Division and FDIC, the institution's supervisory agencies, as of **March 21, 2011**. The agencies evaluate performance in the assessment area, as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

A CRA rating of "Satisfactory" is assigned. An institution in this group has an overall satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Small Bank CRA evaluation procedures were utilized, which consist of a review of five lending criteria: Loan-to-Deposit (LTD) Ratio; Lending in the Assessment Area; Geographic Distribution of Loans; Borrower Profile; and Response to CRA Complaints. The rating is supported by the following conclusions:

- The average loan-to-deposit ratio is reasonable, at 75.2 percent since the previous evaluation, considering the Bank's de novo status, asset size, secondary market activities, financial condition, and lending opportunities.
- As the majority of the Bank's residential and small business loans (86.1 percent by number) were originated outside the assessment area, the Bank's lending performance for this criterion needs to improve.
- The Bank's lending to borrowers of different incomes is reasonable. In 2009, the Bank originated 15 percent of its residential loans to low-income borrowers and 15 percent to moderate-income borrowers, by number. The Bank's percentages exceeded the 2009 aggregate at 4.2 percent and 14.7 percent, respectively. While the Bank's percentages are positive, the performance is tempered by the limited number of loans originated. In 2010, the number of loans granted to low-income borrowers remained the same, while the number of loans to moderate-income borrowers increased. Small business lending is reasonable.
- Overall, the geographic distribution of the Bank's real estate loan reportable under the Home Mortgage Disclosure Act ("HMDA") and small business loans reflects a reasonable dispersion throughout the assessment area considering the Bank's de novo status, the economic conditions of the assessment area, and the level of competition from local and national financial institutions. The Bank's assessment area contains no low-income Census tracts. While the lack of loans within the area's moderate-income tracts in 2009 is a concern, the Bank demonstrated a positive trend in 2010, originating 5 HMDA reportable loans and 1 small business loan.
- The Bank did not receive any CRA complaints. The institution's fair lending policies and procedures are adequate.

## **SCOPE OF EXAMINATION**

This evaluation was conducted jointly by the Division and FDIC. An onsite evaluation of Patriot Community Bank was conducted utilizing Small Bank CRA procedures, as established by the Federal Financial Institutions Examination Council ("FFIEC"). Data reviewed to form conclusions about the Bank's lending performance included originated and purchased home mortgage loans reported on the HMDA Loan Application Registers (LARs) for 2009 and 2010. The LARs contain data about home purchase and home improvement loans, including refinancing, on 1-4 family and multifamily (five or more units) properties. Data about the Bank's small business lending was also reviewed. A small business loan is defined as a loan secured by non-farm, non-residential properties and commercial and industrial loans with original amounts of \$1 million or less. The Bank is not currently required to collect and report small business loans. The Bank's small business loan data was derived from internal Bank reports. In this evaluation, comparing the Bank's small business lending activity to the aggregate data was not appropriate, as the Bank did not report its small business loans. Instead, the Bank's small business lending performance was compared to pertinent 2009 and 2010 demographic information.

As the Bank made no small farm loans (loans secured by farmland to finance agricultural production with original amounts of \$500,000 or less) and consumer loans (a loan to one or more individuals for household, family, or other personal expenditures, excluding: home mortgage, small business, small farm loans) represent only a small portion of the Bank's loan portfolio, neither was considered in the analyses.

The Bank's business strategy focuses equally on originating residential and commercial loans. However, considering the composition of the current loan portfolio, as well as the annual volume of home mortgage versus commercial lending, more weight was placed on the origination of home mortgage loans in arriving at the overall rating. Additionally, the 2009 and 2010 lending performance were assigned equal weight. Further detail on loan composition and lending volume is provided in the *Description of Institution* discussion.

Although both the number and dollar volume of the Bank's loans were reviewed, the number of originations was weighed more heavily, as the number of loans is less likely to be influenced by factors such as business size, applicant income level, or varying housing values. If dollar volume was emphasized, higher income borrowers or areas would generally appear to receive a larger percentage of loans simply because each loan is likely to be larger.

Demographic information referenced in this evaluation was obtained from the 2000 United States (U.S.) Census unless otherwise noted. Additionally, unless otherwise noted, financial data about the Bank was obtained from the December 31, 2010 Call Report.

## **PERFORMANCE CONTEXT**

### **DESCRIPTION OF INSTITUTION**

Patriot Community Bank is a State chartered co-operative bank, established on April 6, 2006. The Bank's sole office is located at 237 Lexington Street in Woburn, Massachusetts. The Bank offers full commercial, residential and consumer products and services. The Bank experienced significant growth since the previous evaluation, dated October 26, 2009, when assets totaled \$23.7 million. The Bank grew approximately 31.9 percent, in the past year. As of December 31, 2009, the Bank's assets totaled \$75.3 million.

As of December 31, 2010, the Bank's assets totaled \$99.4 million, with total loans at approximately \$73 million, or 73.6 percent of total assets. The Bank's loan portfolio is relatively diverse with the largest portions made up of 1-4 family residential loans and commercial real estate loans. The portfolio composition changed since the previous evaluation when commercial real estate loans and commercial and industrial loans, combined, accounted for 59.5 percent of the Bank's portfolio. Currently these categories represent only 38.7 percent. The change is the result of a significant increase in residential refinance activity. It should be noted that the Bank sells its home mortgage loans to secondary market investors. Please refer to Table 1 for more information regarding the Bank's loan portfolio as of December 31, 2010.

<b>Table 1</b>		
<b>Loan Distribution as of December 31, 2010</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000's)</b>	<b>Percent of Total Loans</b>
Construction 1-4 Family Residential	688	0.9
All Other Construction and Land Development	1,248	1.7
Revolving, open-end 1-4 Family Residential	16,547	22.6
1-4 Family Residential (secured by first lien)	25,489	34.8
Multi-Family (5 or more) Residential	766	1.1
Commercial	17,549	24.0
<b>Total Real Estate Loans</b>	<b>62,287</b>	<b>85.1</b>
Commercial and Industrial	10,779	14.7
Consumer	112	0.2
<b>Total Loans</b>	<b>73,178</b>	<b>100.0</b>

*Source: Reports of Income and Condition*

The FDIC last evaluated the institution on March 31, 2008. That examination resulted in a CRA rating of "Satisfactory", which was the Bank's first CRA evaluation conducted by the FDIC. This is the first CRA evaluation conducted by the Division. There are no financial or legal impediments that would prevent the Bank from helping to meet the credit needs of its assessment area. The Bank does operate in a highly competitive lending environment. In 2009, 308 lenders originated at least one home mortgage loan within the assessment area. Given the competition level in the area, combined with the Bank's de novo status and single branch location, generating a high volume of loans may be difficult.

### **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires a financial institution to define one or more assessment areas within which its record of helping to meet credit needs is evaluated. Generally, an assessment area should consist of Metropolitan Statistical Areas ("MSA"), Metropolitan Divisions ("MD"), or contiguous political subdivisions, such as counties, cities, or towns. Further, an assessment area should consist of geographies (Census tracts) in which the bank has its main office, its branches, and

any deposit-taking remote service facilities, as well as geographies in which the bank originated or purchased a substantial portion of its loans. A bank's assessment area must consist of whole geographies; may not reflect discriminatory practices; may not arbitrarily exclude low- or moderate-income geographies (taking into account the bank's size and financial condition); and may not extend substantially beyond an MSA boundary or beyond a state boundary, with certain exceptions.

### Geographies

Patriot Community Bank's assessment area includes the towns and cities of Arlington, Lexington, Medford, Winchester, and Woburn, Massachusetts. These municipalities are located in Middlesex County, which is part of the Cambridge-Newton-Framingham, Massachusetts MD (#15764). This defined assessment area consists of 37 Census tracts, of which 7 are moderate-income, 19 are middle-income, and 11 are upper-income. There are no low-income Census tracts within the assessment area. The assessment area, as currently defined, meets the technical requirements of the CRA.

### Population and Family Income Levels

The assessment area has a total population of 186,577 and 74,952 households. Of the households, 12.4 percent reside in moderate-income Census tracts, 53.2 percent within middle-income tracts, and 34.4 percent in the upper-income Census tracts. A subset of low-income households, those with incomes below the poverty level constitute 5.5 percent of total households; 1.3 percent of households receive public assistance.

Additionally, there are 48,543 family households. Of these, 17.2 percent are low-income, 17.4 percent are moderate-, 23.0 are middle-, and 42.4 percent are upper-income. Additionally, 3.1 percent of assessment area families have incomes below the poverty level (a subcategory of low-income families). The percentage of families at each level (low-, moderate-, middle-, and upper-income) is used as a demographic comparison for analysis of the Bank's home mortgage lending performance under *Lending to Borrowers of Different Incomes* section.

### Housing Units and Owner Occupancy

Within the assessment area, there are 76,730 housing units, of which 48,686 (63.4 percent) are owner-occupied. Occupied rental units account for 26,214, or 34.2 percent, of the assessment area's housing stock, leaving 2.4 percent of the housing stock vacant. The majority of homes in the assessment are, at 82.0 percent, are 1-4 family units, 17.9 percent are multifamily homes, and 0.1 percent are mobile homes or trailers. The median housing value according to 2000 U.S. Census data is \$313,152. The monthly median gross rent is \$930. Table 2 illustrates the comparison of housing characteristics by Census tract income level.

Table 2 Select Housing Characteristics by Income Category of Census Tract								
Census Tract Income Category	Percentage					Median		
	House- holds (%)	Housing Units (%)	Owner- Occupied Housing Units (%)	Occupied Rental Units (%)	Vacant Units (%)	Age	Home Value	Gross Rent
Moderate	16.8	17.0	12.4	25.0	25.5	55	\$209,382	\$814
Middle	54.6	54.5	53.2	57.3	49.7	49	\$249,151	\$898
Upper	28.6	28.5	34.4	17.7	24.8	49	\$420,172	\$1,195
Total or Median	100.0	100.0	100.0	100.0	100.0	49	\$313,152	\$930

Source: 2000 US Census Data

Housing data obtained from *City-Data* revealed a median house or condominium value range for 2009 of \$356,449 to \$641,286, which far exceeded the 2000 U.S. Census median housing value of \$313,151. Additionally, data obtained from *The Warren Group* for 2010 revealed the lowest median sales price, in Woburn, at \$320,000. It is important to note that a low-income family, earning less than \$49,349, would not likely qualify for a conventional loan, thus limiting the Bank's opportunities to provide mortgages to low-income borrowers within its assessment area. It should be noted that demographic data depicting the distribution of owner-occupied housing units by income level of Census tract is used as a comparison to the Bank's home mortgage lending performance within the *Geographic Distribution* criterion.

### Median Family Incomes

The Department of Housing and Urban Development ("HUD") publishes annual estimates of median family income ("MFI") that are adjusted for inflation and other economic events. The 2009 and 2010 MFIs for the Cambridge-Newton-Framingham, MA MD were \$97,100 and \$98,700, respectively. Given these estimated income levels, the thresholds for each income level based on the HUD-estimated MFI for the Cambridge-Newton-Framingham, MA MD are depicted in Table 3.

Table 3 Cambridge-Newton-Framingham, MA MD Median Family Income (MFI)			
Income Level	Percent of MFI	2009	2010
Low	Less than 50%	\$0 to \$48,549	\$0 to \$49,349
Moderate	50% to < 80%	\$48,550 to \$76,679	\$49,350 to \$78,959
Middle	80% to < 120%	\$76,680 to \$116,519	\$78,960 to \$118,439
Upper	120% and greater	\$116,520 and greater	\$118,440 and greater

Source: HUD estimated MFI

### Unemployment

In December 2010, the municipalities within the Bank's assessment area experienced unemployment rates of 6.4 percent in Arlington, Lexington, and Winchester; 7.0 percent in Medford; and 7.1 percent in Woburn. These rates were slightly below the rate for Middlesex County, at 7.5 percent. The 2010 unemployment rates for the U.S. and State were 9.4 percent and 8.0 percent, respectively. The unemployment rates increased throughout the assessment area since the previous performance evaluation in 2008.

### Labor and Workforce

There are a significant number of large businesses in the Bank's assessment area. The area's largest employers include: Harvard University, EMC Corporation, Laboratory for Nuclear Science, and Massachusetts Institute of Technology (MIT). Harvard University is the largest employer in Middlesex County, with more than 10,000 employees as of 2010 (Mass.gov). EMC Corp., Laboratory for Nuclear Science, and MIT all employ between 5,000 to 9,999 employees each. Within the Bank's defined assessment area, the largest employers are: Winchester Hospital (1,000 – 4,999 employees), Northern Essex Community College (500 – 999), Cross Country Group (500 -999), Marshalls Distribution Center. (500 – 999), and Lawrence Memorial Hospital (500 – 999).

### Competition

The Bank's delineated assessment area is highly competitive. Large national financial institutions dominate the area's market share. Other smaller institutions, although not similarly situated by definition, are located within the Bank's assessment area and increase the local competition by providing similar products and services. Most of the competitive institutions headquartered in the same Census tract as the Bank have been established for many years and are well known in the area. As a de novo institution, with only one office, the ability to generate a high volume of loans is a challenge.

**Community Contact**

As part of the evaluation process, a third party, active in community affairs, is contacted to assist in assessing the housing needs of the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community and what further opportunities, if any, are available.

A recently conducted community contact was utilized. The contact was an organization actively involved with affordable housing initiatives in Woburn. According to the contact, although the community was adversely affected by the economic downturn, the effect was not as severe as other Massachusetts communities or the national level. The contact did not specifically reference any community development or credit-related needs for the community.

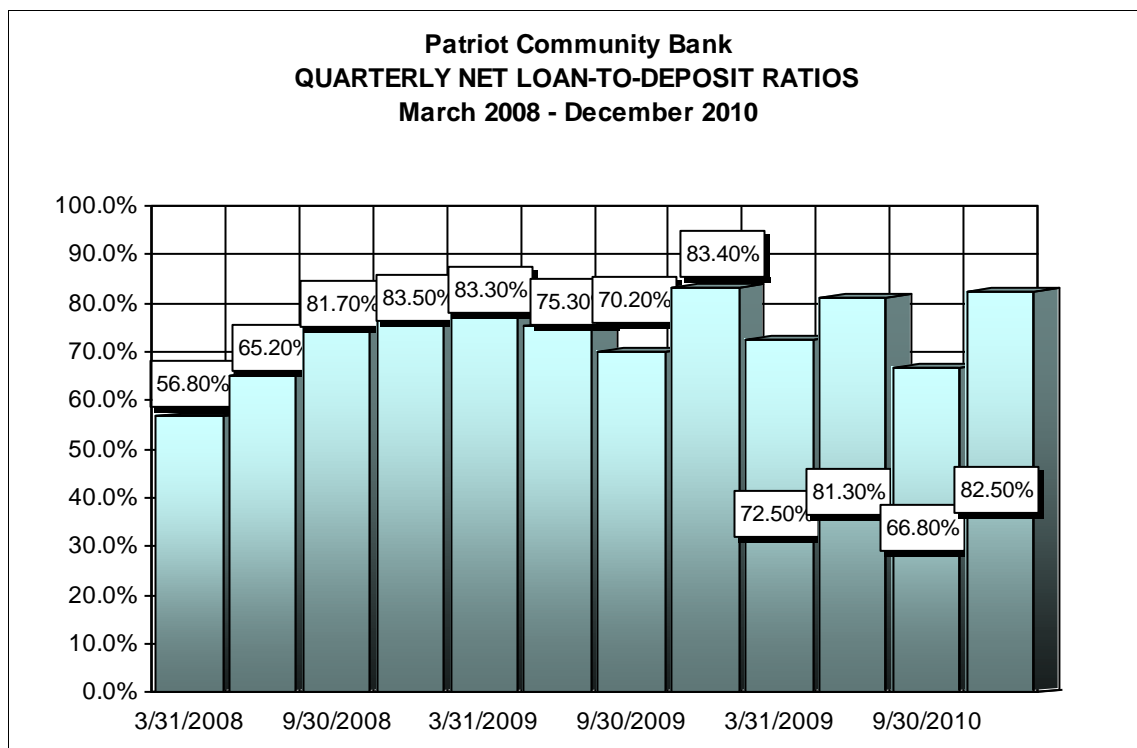


## **PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and area credit needs.

The average net LTD ratio was calculated at 75.2 percent. This number represents the average over the past 12 quarters since the previous evaluation, dated March 31, 2008. The high LTD ratio was calculated at 83.5 percent as of December 31, 2008, while the low was calculated at 56.8 percent, as of March 31, 2008. The following graph depicts the net LTD ratios for each quarter under review.



Source: Call Report Data

As displayed, the LTD ratio increased since 2008 and remained generally consistent for most of the past 12 quarters. The ratio was influenced by the fact that the Bank's loans outpaced deposits. During the time period, the Bank's deposits grew by approximately 87.1 percent, while loans increased by 171.7 percent. As stated previously, the Bank took advantage of interest rate fluctuations and originated a high number of refinance loans. It should also be noted that the Bank sells its HMDA-reportable loans to the secondary market.

## **Assessment Area Concentration**

This performance criterion measures the percentage of the Bank's lending in its assessment area. Patriot Community Bank's lending activity within the assessment area needs to improve, as a significant majority of its loans are outside the institution's assessment area. Table 4 reflects the institution's lending record for residential and small business loans inside and outside the assessment area.

<b>Table 4 Distribution of Loans Inside and Outside the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
2009 HMDA*										
Purchase	8	22.2	28	77.8	36	2,831	21.7	10,244	78.3	13,075
Refinance	12	8.4	131	91.6	143	4,147	8.6	43,790	91.4	47,937
<b>Subtotal</b>	<b>20</b>	<b>11.2</b>	<b>159</b>	<b>88.8</b>	<b>179</b>	<b>6,978</b>	<b>11.4</b>	<b>54,034</b>	<b>88.6</b>	<b>61,012</b>
2010 HMDA*										
Purchase	20	20.6	77	79.4	97	8,202	23.0	27,406	77.0	35,608
Refinance	59	11.8	442	88.2	501	17,951	10.8	147,581	89.2	165,532
<b>Subtotal</b>	<b>79</b>	<b>13.2</b>	<b>519</b>	<b>86.8</b>	<b>598</b>	<b>26,153</b>	<b>13.0</b>	<b>174,987</b>	<b>87.0</b>	<b>201,140</b>
<b>HMDA Subtotal</b>	<b>99</b>	<b>12.7</b>	<b>678</b>	<b>87.3</b>	<b>777</b>	<b>33,131</b>	<b>12.6</b>	<b>229,021</b>	<b>87.4</b>	<b>262,152</b>
2009 Small Business	12	50.0	12	50.0	24	4,294	56.9	3,256	43.1	7,550
2010 Small Business	3	16.7	15	83.3	18	1,030	19.5	4,253	80.5	5,283
<b>Small Business Subtotal</b>	<b>15</b>	<b>35.7</b>	<b>27</b>	<b>64.3</b>	<b>42</b>	<b>5,324</b>	<b>41.5</b>	<b>7,509</b>	<b>58.5</b>	<b>12,833</b>
<b>Total</b>	<b>114</b>	<b>13.9</b>	<b>705</b>	<b>86.1</b>	<b>819</b>	<b>38,455</b>	<b>14.0</b>	<b>236,530</b>	<b>86.0</b>	<b>274,985</b>

Source: HMDA LAR Data (2009 and 2010) and internally generated reports \*there were no home improvement loans

### ***Residential Real Estate Lending***

As displayed in Table 4, a substantial majority of the Bank's HMDA reportable loans, in both years under review, were originated outside the assessment area. Lending within the assessment area only accounted for 12.7 percent, by number, and 12.6 percent, by dollar volume during the timeframe. The majority of the Bank's HMDA lending was in the form of refinance loans. The Bank experienced significant growth in refinance volume in 2010. In both years, the percentage of purchase loans made within the assessment area was slightly higher than the percentage of refinance loans. The Bank did not make any home improvement loans during the time period.

The low percentage of lending within the assessment area is somewhat mitigated by the Bank's de novo status, the increase in unemployment, and the cost of housing. The institution has only been operational for 5 years and operates from a single office. The Bank faces strong competition from well established institutions operating within the assessment area. According to market share reports, there were 308 HMDA lenders in the Bank's assessment area in 2009, with Patriot Community Bank ranked 81<sup>st</sup> with 0.14 percent of the market share. The percentage of residential loans within the assessment area needs to improve.

### ***Small Business Lending***

As reflected in Table 4, the Bank originated 50.0 percent, by number, and 56.9 percent, by dollar volume, of its small business loans within the AA in 2009. Small business lending within the AA significantly decreased in 2010. Bank management attributed the decline to the 'state of the economy' and competition. The Bank's inability to compete with the area's larger institutions in terms of rates and terms significantly impacted loan activity. The overall low percentage of

small business lending within the assessment area supports the conclusion that lending within the assessment area needs to improve.

Despite the mitigating factors within the residential and small business portfolios, the extremely low percentage of lending within the assessment area is a significant concern. The Bank's performance within this performance criterion needs to improve.

## **DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS**

The distribution of loans predicated on borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of its area residents. Patriot Community Bank's performance, relative to the distribution of borrowers, reflects a satisfactory penetration of home mortgage products to low- and moderate-income borrowers and among businesses of different revenue sizes. Despite the satisfactory performance, the actual number of loans originated tempered the overall performance.

### ***Residential Real Estate Lending***

An analysis of residential loans originated within the assessment area was conducted in order to determine the distribution of lending by borrower income level. Table 5 breaks out the HMDA reportable loans originated in 2009 and 2010 by the Bank, categorized by the applicants' reported income level. Table 5 also presents the Bank's performance in relation to aggregate lenders and the distribution of families within the assessment area.

<b>Table 5 Borrower Distribution: HMDA-Loans</b>								
<b>Borrower Income Level</b>	<b>% of Total Families</b>	<b>2009 Aggregate Lending Data  (% of #)</b>	<b>2009</b>		<b>2010</b>		<b>Bank Total</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	17.2	4.2	3	15.0	3	3.8	6	6.1
<b>Moderate</b>	17.4	14.7	3	15.0	14	17.7	17	17.2
<b>Middle</b>	23.0	25.0	6	30.0	12	15.2	18	18.2
<b>Upper</b>	42.4	43.4	5	25.0	50	63.3	55	55.5
<b>NA</b>	--	12.7	3	15.0	0	0.0	3	3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>

Source: HMDA LAR Data (2009, 2010), 2009 Aggregate Mortgage Data

As displayed in Table 5, the Bank originated 3 loans, or 15.0 percent, to low-income borrowers in 2009. An additional 3 loans were granted to moderate-income borrowers. The Bank's percentages were below the percentages of both low- and moderate-income families, but exceeded the 2009 aggregate performance. However, as stated previously, the Bank's performance is tempered by the limited number of loans actually originated.

In 2010, the Bank originated 79 loans within the assessment area, 3.8 percent of which were made to low-income borrowers. The Bank's percentage was below the percentage of low-income families in the assessment area; however 5.5 percent of assessment area families have incomes below the poverty level. Families with such limited income have a reduced capacity to

secure a home mortgage loan, inhibiting the Bank's ability to lend, especially considering the high cost of housing in the area. The Bank granted 14 loans, or 17.7 percent, to moderate-income borrowers in 2010, which corresponds to the percentage of moderate-income families. Given the economic and demographic conditions in the area, as well as the high level of competition, the Bank's ability to increase the number of loans to moderate-income borrowers in 2010 was considered positive.

### **Small Business Lending**

Table 6 illustrates the distribution of the Bank's small business loans within the assessment area by businesses' revenue sizes along with the percentage of businesses in the area.

<b>Table 6</b>								
<b>Distribution of Small Business Loans by Gross Annual Revenues of Business</b>								
<b>Gross Annual Revenues (000s)</b>	<b>2009 Business</b>	<b>2009 Bank Loans</b>		<b>2010 Business</b>	<b>2010 Bank Loans</b>		<b>Bank Total</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>&lt;= \$1,000</b>	75.8	10	83.3	77.0	3	100.0	13	86.7
<b>&gt; \$1,000</b>	6.1	2	16.7	6.0	0	0.0	2	13.3
<b>NA</b>	18.1	0	0.0	17.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

Source: 2009 & 2010 Small Business Loans

The Bank made a majority of its small business loans to business with gross annual revenues (GARs) under \$1 million. The Bank displayed a good penetration in lending to smaller business, exceeding the percentage of assessment area businesses in this revenue category in both years under review.

An analysis of the Bank's origination activity (by loan size) was also performed. Table 7 depicts the distribution of business loans within the Bank's assessment area by loan amount at origination.

<b>Table 7</b>						
<b>Distribution of Small Business Loans by Loan Size</b>						
<b>Loan Size (000s)</b>	<b>2009 Bank Loans</b>		<b>2010 Bank Loans</b>		<b>Bank Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>&lt; \$100</b>	3	25.0	1	33.3	4	26.7
<b>\$100 - \$250</b>	3	25.0	0	0.0	3	20.0
<b>&gt; \$250 - \$1,000</b>	6	50.0	2	66.7	8	53.3
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

This analysis considers loan size as an indicator of the Bank's commitment to meeting the credit needs of small businesses, as smaller loans more frequently benefit smaller businesses. As displayed, 26.7 percent of the Bank's loans were made in amounts under \$100,000 during the timeframe under review, with almost half made in amounts less than \$250,000.

It should be noted that, in 2009, of the 12 small business loans made in the assessment area, 5 were made to the Lexington Housing Assistance Board (Lex HAB), which provides affordable single family houses, duplexes, and condominium units to low- and moderate-income individuals or families.

The Bank's overall dispersion of lending to businesses of different revenue categories is reasonable; however, the limited number of loans within the assessment is noted and, again, tempers the Bank's overall performance.

## GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. As the Bank's assessment area contains no low-income Census tracts, emphasis was placed on lending in moderate-income Census tracts. Overall, the Bank's geographic distribution of home mortgage loans reflects a reasonable dispersion.

### ***Residential Real Estate Lending***

Table 8 provides a breakdown, by number, of HMDA-reportable loans and compares the Bank's performance with the 2009 aggregate data and the percentage total of owner-occupied housing units within the assessment area for each of the Census tract income categories.

<b>Table 8</b> <b>Geographic Distribution: HMDA-Loans</b>								
Census Tract Income Level	% of Total Owner Occupied Housing Units	2009 Aggregate Lending Data (% of #)	Bank 2009		Bank 2010		Bank Total	
			#	%	#	%	#	%
Moderate	12.4	9.8	0	0.0	5	6.3	5	5.1
Middle	53.2	51.8	7	35.0	34	43.1	41	41.4
Upper	34.4	38.4	13	65.0	40	50.6	53	53.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>

Source: HMDA LAR Data (2009 and 2010), 2009 Aggregate Mortgage Data

As displayed in Table 8, the Bank made no loans in the moderate-income Census tracts in 2009. While the lack of loans is a concern, the following must be considered. Lending opportunities within the Bank's moderate-income Census tracts are limited. An analysis of market ranks within the area's moderate-income tracts revealed that the majority of the leaders were larger national banks. Smaller institutions headquartered in Woburn struggled to originate loans within the moderate-income Census tracts. It should be noted that these other institutions are not de novo banks and have been operating for many years. To further highlight the competition in the area, an analysis of the 2009 market rank reports revealed an institution with only one home mortgage loan in 2009 within the moderate-income Census tracts, but a rank of 16<sup>th</sup>.

The Bank's penetration improved in 2010, with 6.3 percent of loans made in moderate-income Census tracts; however, the Bank's performance was still below demographic indicators. As mentioned previously, lending opportunities in the moderate-income Census tracts are limited.

As displayed in Table 8, the majority of the Bank's loans were originated in upper-income Census tracts. This is due to the fact that the highest concentration of HMDA reportable loans originated by the Bank in the assessment area was in Lexington, which contains only upper-income Census tracts. Arlington, which contains middle- and upper-income Census tracts, had the next highest concentration. Lending in these two towns accounted for 72 of the 99 loans, or 72.7 percent of HMDA lending, in the assessment area during the review period.

Given the overall economic conditions (i.e., unemployment rates), demographic data (i.e., cost of housing), the Bank's de novo status, competition, improvement from 2009 to 2010, and the limited lending opportunities within the area's moderate-income Census tracts, the Bank's performance is reasonable.

### **Small Business**

A distribution analysis of the Bank's small business loans was conducted to determine if the needs of small businesses located in the moderate-income tracts of the assessment area are being addressed. Table 9 provides a breakdown, by number, of the Bank's small business loans within its assessment area according to the Census tract income level.

<b>Table 9</b>								
<b>Geographic Distribution of Small Business Loans</b>								
<b>Census Tract Income Level</b>	<b>2009 Business</b>	<b>2009 Bank Loans</b>		<b>2010 Business</b>	<b>2010 Bank Loans</b>		<b>Bank Total</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	14.1	0	0.0	13.5	1	33.3	1	6.7
Middle	52.7	1	8.3	52.1	0	0.0	1	6.7
Upper	33.2	11	91.7	34.4	2	66.7	13	86.6
<b>Total</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

*Source: 2009 & 2010 Small Business Loans*

As displayed, the majority of the Bank's small business lending occurred in upper-income Census tracts. The Bank had a poor penetration of loans to businesses in the moderate-income Census tracts. The Bank made no loans in these tracts in 2009 and only 1 loan in 2010. While the lack of lending is a concern, the following must be considered: (1) only 14 percent of businesses in the area are located in the moderate-income tracts, (2) similar to residential lending, the competition for small business loans is fierce and dominated by larger financial institutions, and (3) the Bank's de novo status and limited branch network limit the Bank's ability to compete.

### **RESPONSE TO CONSUMER COMPLAINTS**

A review of the Division's and FDIC's records, as well as the Bank's CRA Public File, revealed no complaints. Additionally, the Bank maintains adequate response procedures to address complaints if received in the future.

## APPENDIX A

### Fair Lending Policies and Procedures

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Bank's Loan Policy addresses the Bank's efforts to eliminate discrimination in all aspects of lending. The Bank provides annual fair lending training to appropriate staff as well as annual fair lending training to the Board. The Bank maintains a second review process for denied applications as well as applications slated for denial. The Bank employs one individual who is available to assist Spanish speaking customers.

#### MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area, the comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the Table 10 for further information.

Table 10 MINORITY APPLICATION FLOW								
RACE	Bank 2009		2009 Aggregate Data		Bank 2010		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	14	0.1	0	0.0	0	0.0
<i>Asian</i>	0	0	1,694	9.6	2	2.4	2	1.9
<i>Black/ African American</i>	0	0.0	157	0.9	0	0.0	0	0.0
<i>Hawaiian/Pac Isl.</i>	1	4.4	19	0.1	0	0.0	1	1.0
<i>2 or more Minority</i>	0	0.0	5	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	2	8.7	330	1.9	3	3.7	5	4.7
<b>Total Minority</b>	<b>3</b>	<b>13.0</b>	<b>2,219</b>	<b>12.6</b>	<b>5</b>	<b>6.1</b>	<b>8</b>	<b>7.6</b>
<i>White</i>	17	73.9	10,909	61.9	77	93.9	94	89.5
<i>Race Not Available</i>	3	13.1	4,484	25.5	0	0.0	3	2.9
<b>Total</b>	<b>23</b>	<b>100.0</b>	<b>17,612</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>
<b>ETHNICITY</b>								
<i>Hispanic or Latino</i>	0	0.0	172	1.0	1	1.2	1	1.0
<i>Not Hispanic or Latino</i>	19	82.6	12,714	72.2	81	98.8	100	95.2
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	1	4.4	152	0.8	0	0.0	1	1.0
<i>Ethnicity Not Available</i>	3	13.0	4,574	26.0	0	0.0	3	2.8
<b>Total</b>	<b>23</b>	<b>100.0</b>	<b>17,612</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>

Source: US Census, HMDA LAR, HMDA Aggregate Data

As displayed in Table 10, the Bank received a slightly higher percentage of applications from racial minorities in the assessment area in 2009 than that received by the 2009 aggregate. The Bank did not receive any applications from Hispanic or Latino applicants in 2009, compared to the aggregate's 1.0 percent. The Bank's percentage of applications decreased in 2010; however, the number of applications increased. The Bank also received 1 application or 1.2 percent from a Hispanic borrower in 2010. All applications the Bank received from racial and ethnic minorities in the assessment area were originated in both years under review. According to the demographics, 12.2 percent of the assessment area's population is minority, the breakout is as follows: 5.5 percent Asian, 2.8 percent Black, 2.2 percent Hispanic, and 1.7 percent were identified as 'other race'. Overall, the Bank's performance is reasonable.

## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).



**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 237 Lexington Street, Woburn, MA 01852."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.